



GORDON T LONG

Advanced Technical Analysis



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Macro-Technical Analysis



Technical Analysis
Market Road Maps | HPTZ
Methodology



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NOTE

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A HISTORIC FIRST HALF!

WHAT'S NEXT??

"Expect the best. Prepare for the worst. Capitalize on what comes!"

AGENDA

H1 RESULTS

HISTORIC BY ANY MEASURE!

WHAT HISTORY TELLS US – H2 v H1

BULL v BEAR?

ECONOMIC HEADWINDS!

THE LIQUIDITY DRIVER

MONETARY POLICY WITH LAG

M1/M2, VELOCITY OF MONEY

GDP v GDI

WHAT NEXT?

EPS SHOULD FALL

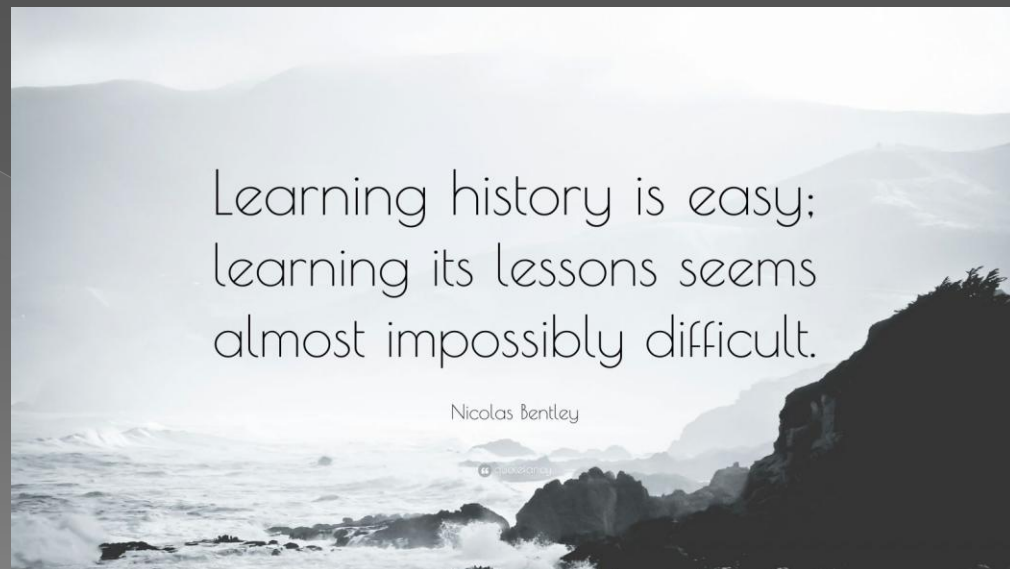
MARGIN COMPRESSION

CONCLUSION

2024 Bounce

Q2-Q3 EARNINGS HOLD THE CARDS

A Historic First Half! Now What??



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The Asset Class Quilt of Total Returns

Commodities worst returning asset class YTD
Ranked cross asset returns by year since 2000

- Crypto 52.9%,
- Stocks 14.9%,
- HY bonds 5.1%,
- Gold 4.5%,
- IG bonds 3.7%,
- Cash 2.3%,
- Gov't bonds 2.2%,
- US dollar -0.6%,
- Commodities -8.3%,
- Oil -13.3% YTD.

2020	2021	2022	2023*
Gold 24.8%	Commodities 46.3%	Commodities 31.1%	S&P 500 14.9%
MSCI EM 18.8%	REITS 37.1%	Cash 1.5%	MSCI EAFE 11.2%
S&P 500 18.4%	S&P 500 28.7%	Gold -0.8%	MSCI EM 5.2%
Global IG 10.3%	MSCI EAFE 11.9%	US Treasuries -12.9%	Global HY 5.1%
MSCI EAFE 8.4%	Global HY 1.4%	Global HY -13.2%	Gold 4.5%
US Treasuries 8.2%	Cash 0.0%	MSCI EAFE -13.9%	Global IG 3.7%
Global HY 8.0%	MSCI EM -2.3%	Global IG -16.7%	Cash 2.3%
Cash 0.5%	US Treasuries -2.4%	S&P 500 -18.1%	US Treasuries 2.2%
REITS -4.4%	Global IG -3.0%	MSCI EM -19.8%	REITS 0.8%
Commodities -15.0%	Gold -4.1%	REITS -25.2%	Commodities -8.3%

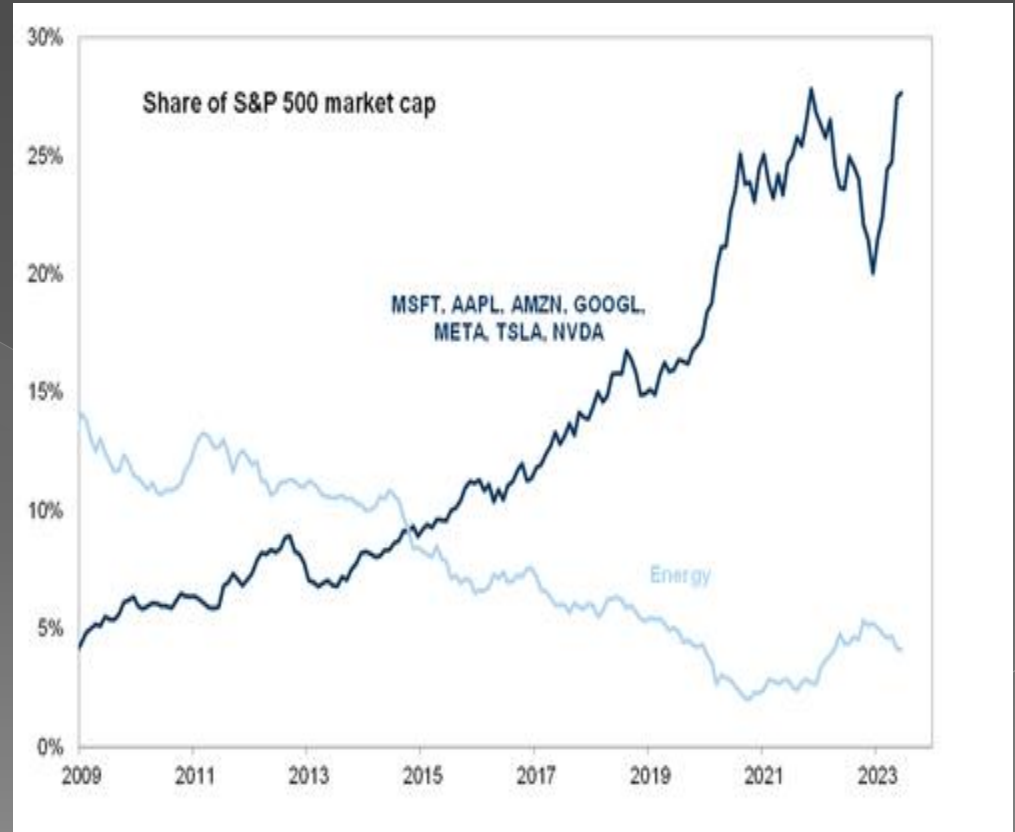
S&P 500

Monthly



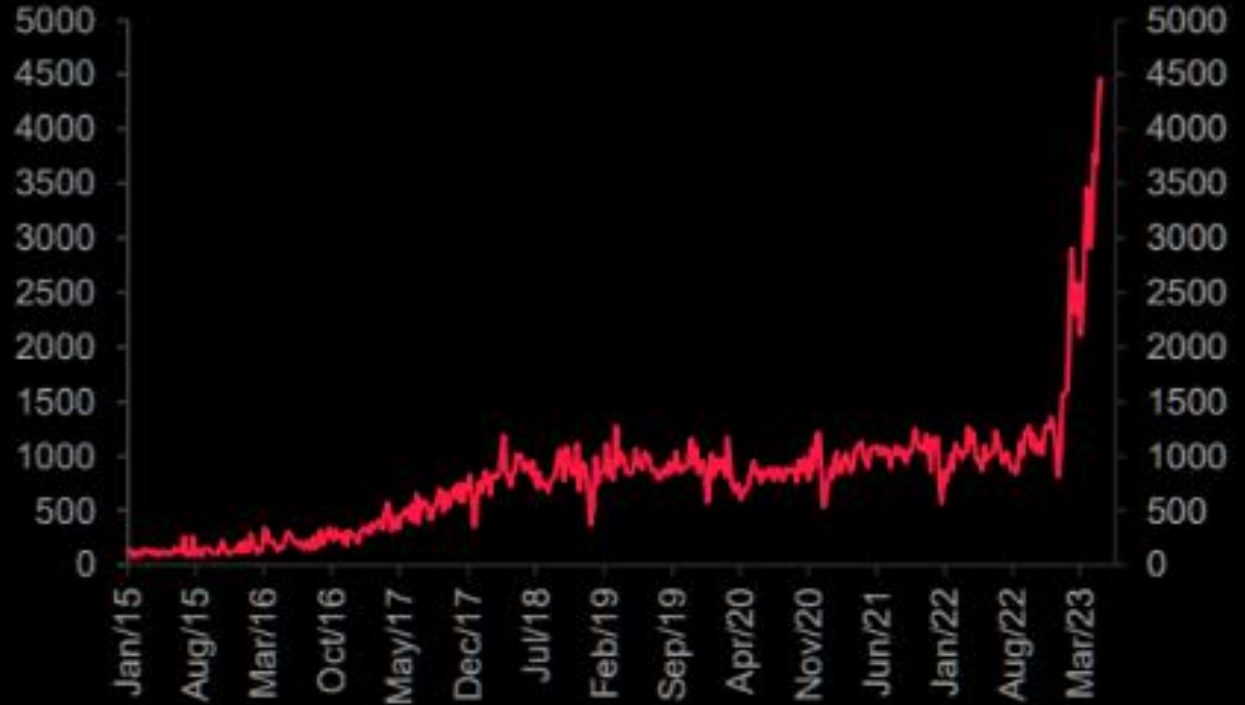
MACRO ANALYTICS & TECHNICAL ANALYSIS
MATASII
STRATEGIC INVESTMENT INSIGHTS
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- **28...**S&P 500 index returns negative YTD excluding top 28 names;
- **\$4.1T...**YTD market cap gain of Big Tech 7, that's greater than GDP of Germany;
- **\$7.0T...**AAPL+MSFT+GOOG market cap exceeds Emerging Markets (>6.5bn people);
- **- 8.4%**...commodities worst performing asset H1'23 (was best in 2021 & 2022);



NEWSFLOWS DRIVE GAMMA TRADERS

The news flows on AI commenced on January, coinciding with the sudden unexpected surge in the markets.



See [Trading the Artificial-Intelligence hype](#) (28/04/2023). Data as of 15/05/2023. Source: Factiva, SG Cross Asset Research/ Global Asset Allocation & Equity Strategy



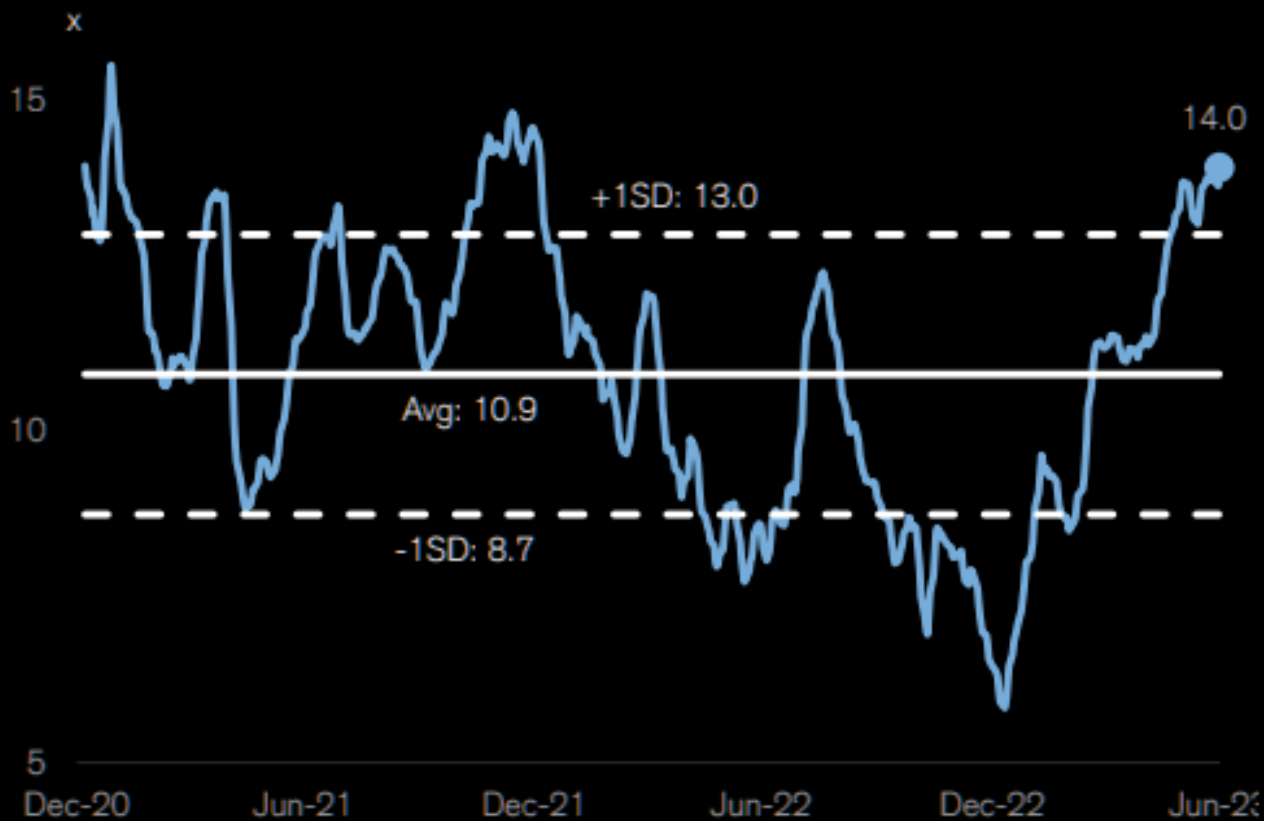
BUY SIGNAL IN JANUARY FOR BIG 8 - Our Proprietary MATASII CROSS gave a BUY signal to the "Big 8" in January. See the circle at the red line crossing the blue line in the chart below. This was precisely when the news flows spiked for AI.

HOW TO DESTABILIZE A MARKET!



We placed the SELL signal on the NVDA chart below and it seems clear that NVDA was the driver.

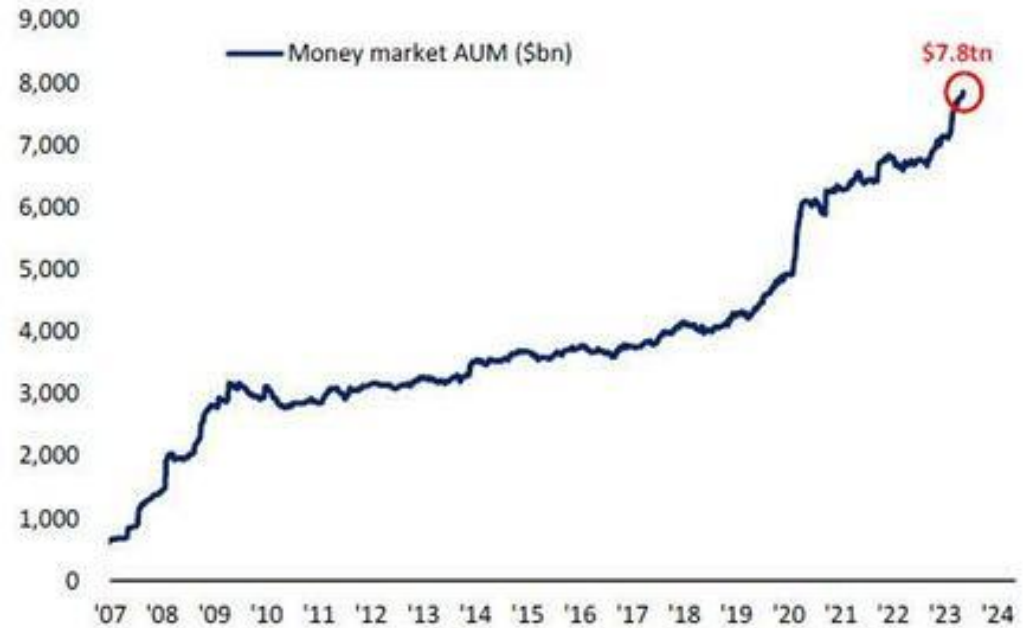
NTM P/E – Largest 6 TECH+ minus Rest of Market



- **\$750B**...YTD inflow to money market funds (AUM now \$7.8tn);

Chart 8: YTD inflows to MMFs on course for record year

Money market fund AUM



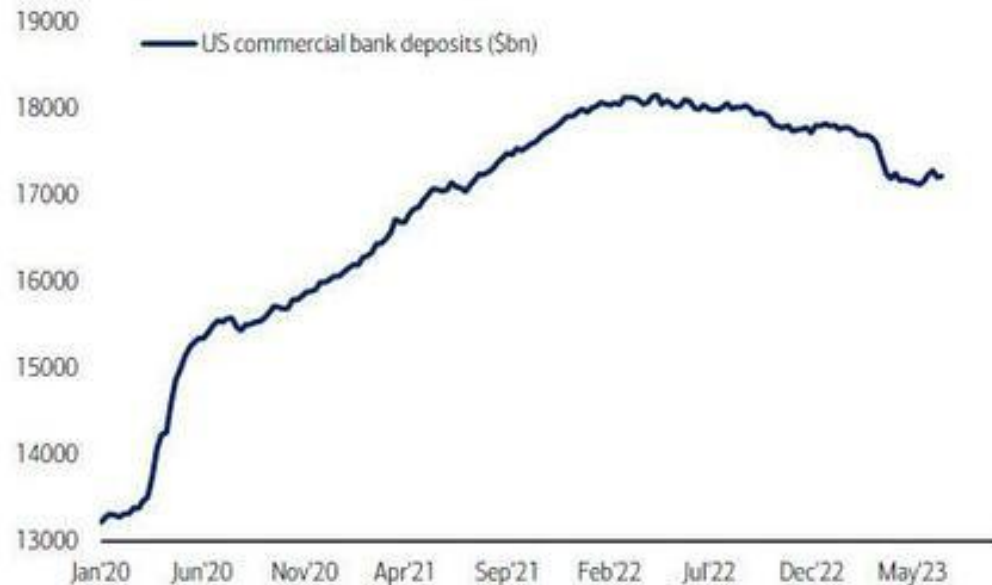
Source: BofA Global Investment Strategy, EPFR

BofA GLOBAL RESEARCH

- **\$578B**...YTD outflow from deposits at US banks;

Chart 9: Record H1 deposit outflow from US banks

US commercial bank deposits (\$bn)



Source: BofA Global Investment Strategy, Bloomberg

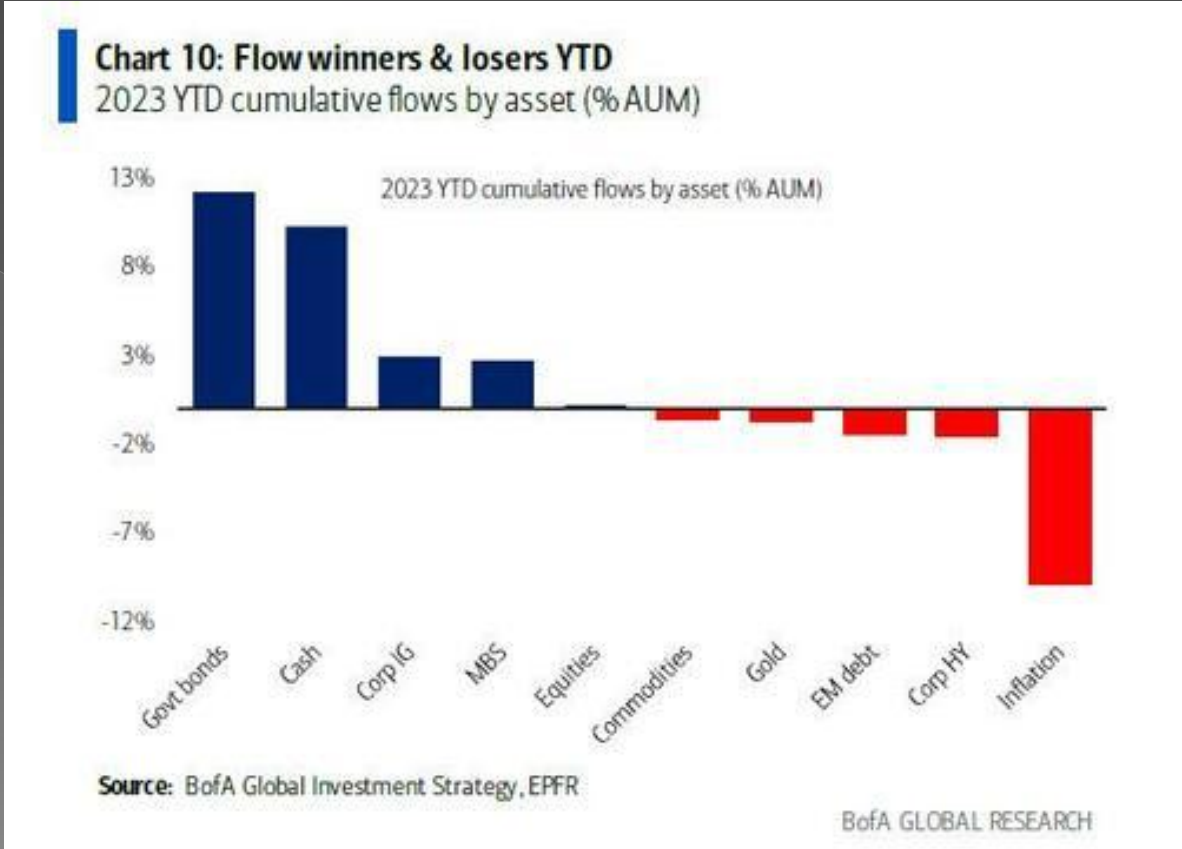
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YTD FLOW WINNERS:

- Cash (\$752bn),
- IG bonds (\$113bn),
- EM equities (\$67bn);

YTD FLOW LOSERS:

- US stocks (\$38bn),
- European stocks (\$27bn),
- TIPS (\$17bn),
- Bank Loans(\$11bn),
- HY bonds (\$7bn);



INFLATION

- **89**...central bank interest rate hikes YTD, down from 292 in 2022;
- **20%**...food price inflation in the UK;
- **\$57,200**...average annual rent for one-bedroom apartment in Manhattan;

Chart 5: Rents in NYC

NYC area rents – YoY%



Source: BofA Global Investment Strategy, Bloomberg

BofA GLOBAL RESEARCH

- **349M bbls**...US Strategic Petroleum Reserve lowest since Aug'83 (was 582mn pre-war);

Chart 7: US SPR lowest since 1983

US Strategic Petroleum Reserve (SPR) - mn barrels

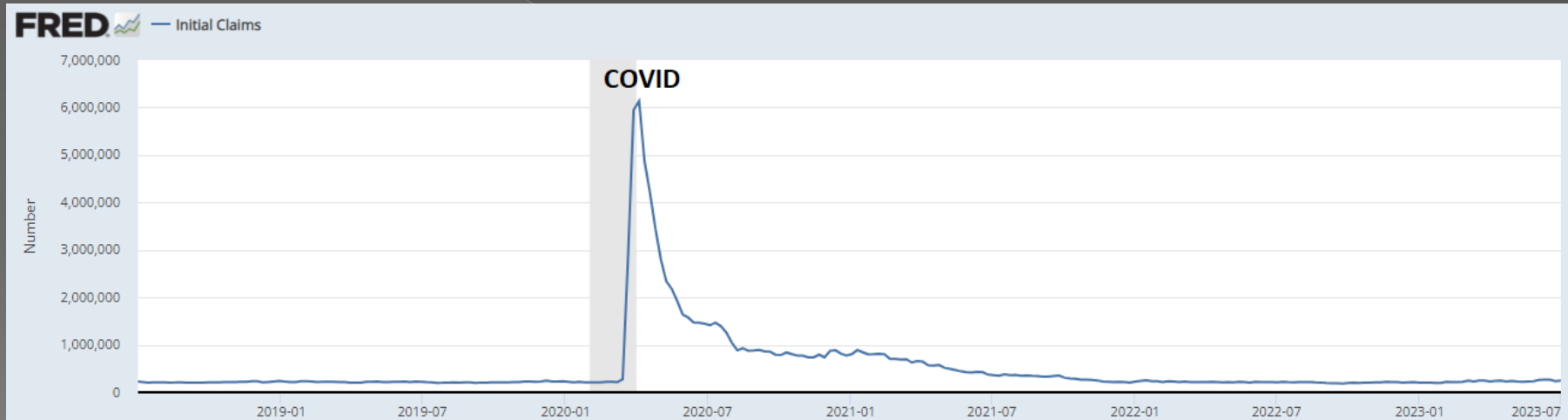


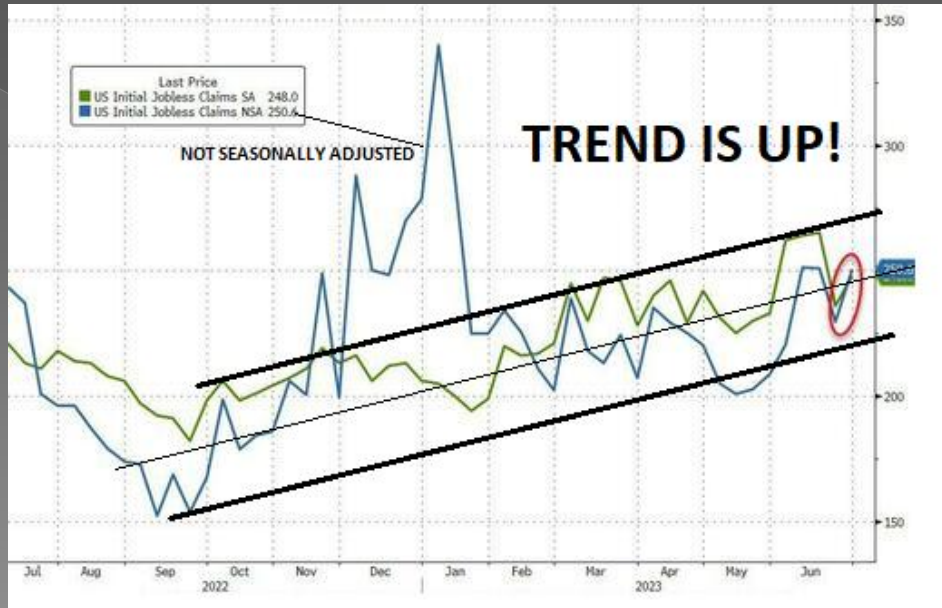
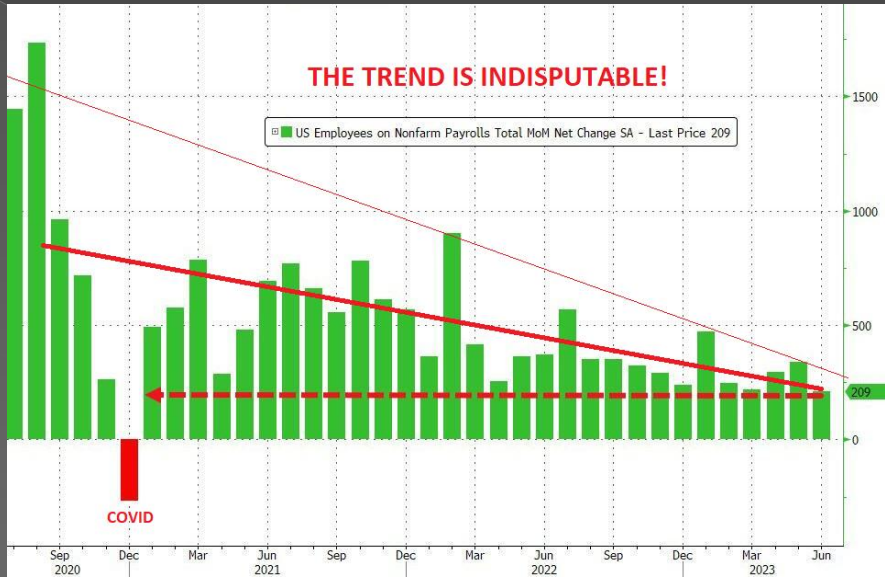
Source: BofA Global Investment Strategy, Bloomberg

BofA GLOBAL RESEARCH

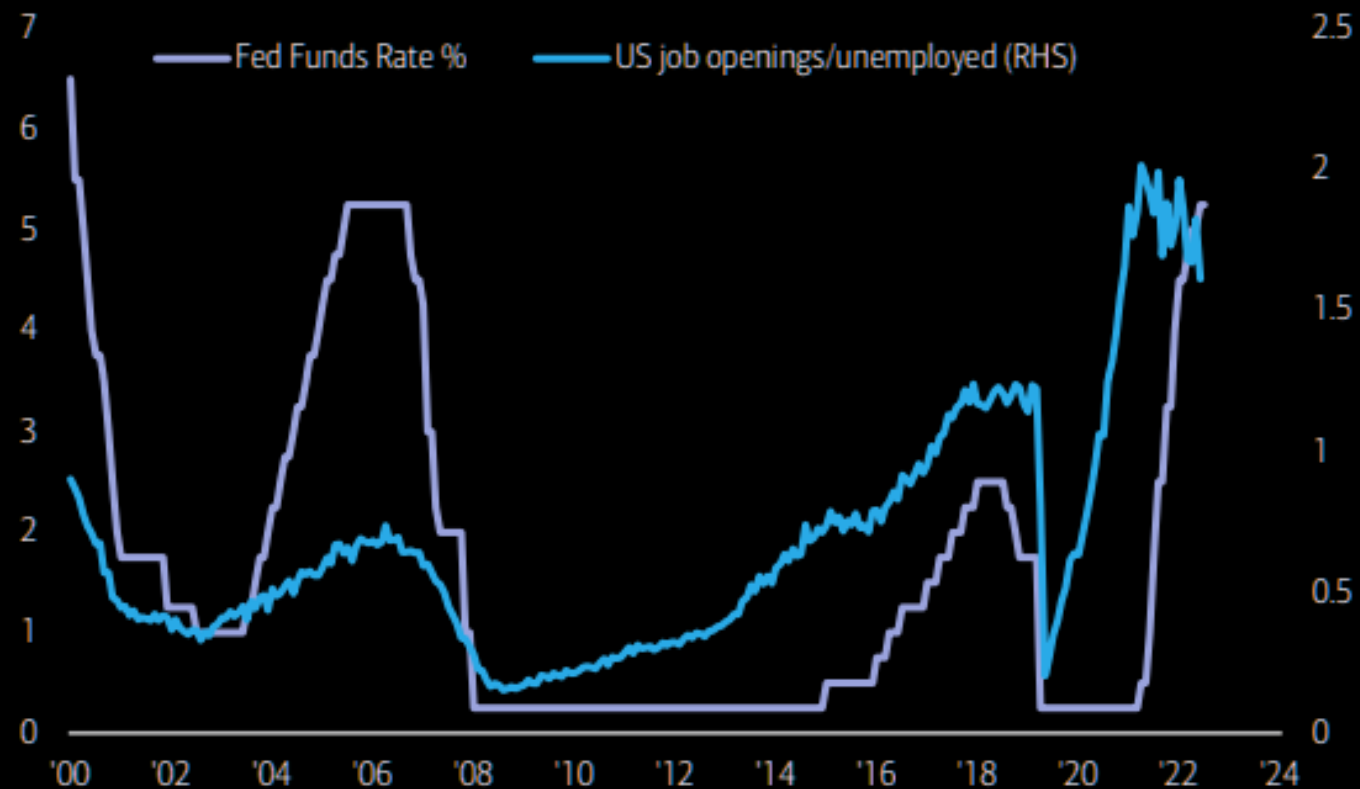
EMPLOYMENT

- **3.4%**...US unemployment Apr'23 lowest since 1969 (all-time low 0.7% in April 1929);





Fed funds rate % vs US job openings/unemployed



DEBT

- **\$2.1T**...US budget deficit past 12 months (8% of GDP) largest in 60 years outside of war or recession;
- **\$6.9T**...proposed 2024 Federal budget would make US government 3rd largest economy in world;

Chart 2: Biggest US budget deficit outside of war/recession since 1959
US Federal government balance (12m-MA, % GDP) vs 1960-2019 average



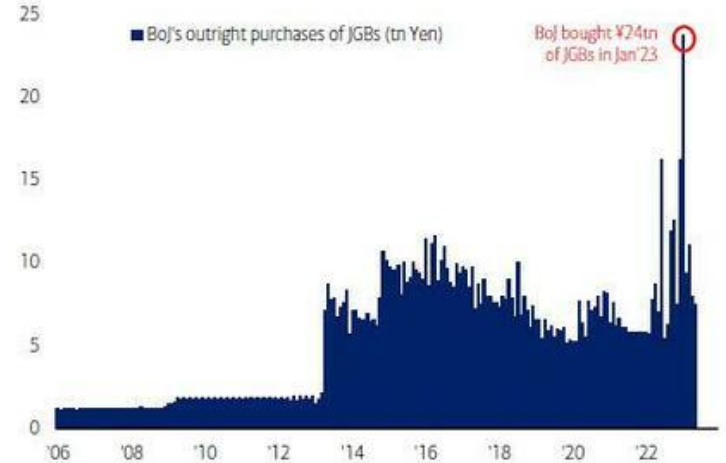
Source: BofA Global Investment Strategy, Haver

BofA GLOBAL RESEARCH

INTERNATIONAL

- **JAPAN \$1.1T...**JGBs purchased by BOJ past 12 months, that's 24% of Japan's GDP;
- **MEXICO 26%..** appreciation of Mexican peso vs. Japanese yen in H1'2
- **CHINA 20.8%...**China's youth unemployment May'23 at record high;
- **2024 ELECTIONS...**election year in
 - Taiwan on Jan 13th,
 - Russia Mar 17th,
 - EU Jun 6th,
 - US Nov 5th.

Chart 3: BoJ's purchase of JGBs past 12m = 24% of Japan's GDP
Bank of Japan's outright purchases of JGBs (tn Yen)



Source: BofA Global Investment Strategy, Haver

BofA GLOBAL RESEARCH

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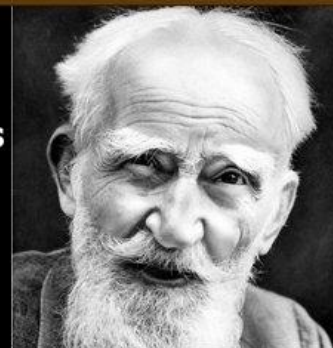
2024 Bounce

Q2-Q3 EARNINGS HOLD THE CARDS

A Historic First Half! Now What??

**The only lesson of the
history is that people
never learn their lessons
from the history**

~ George Bernard Shaw ~



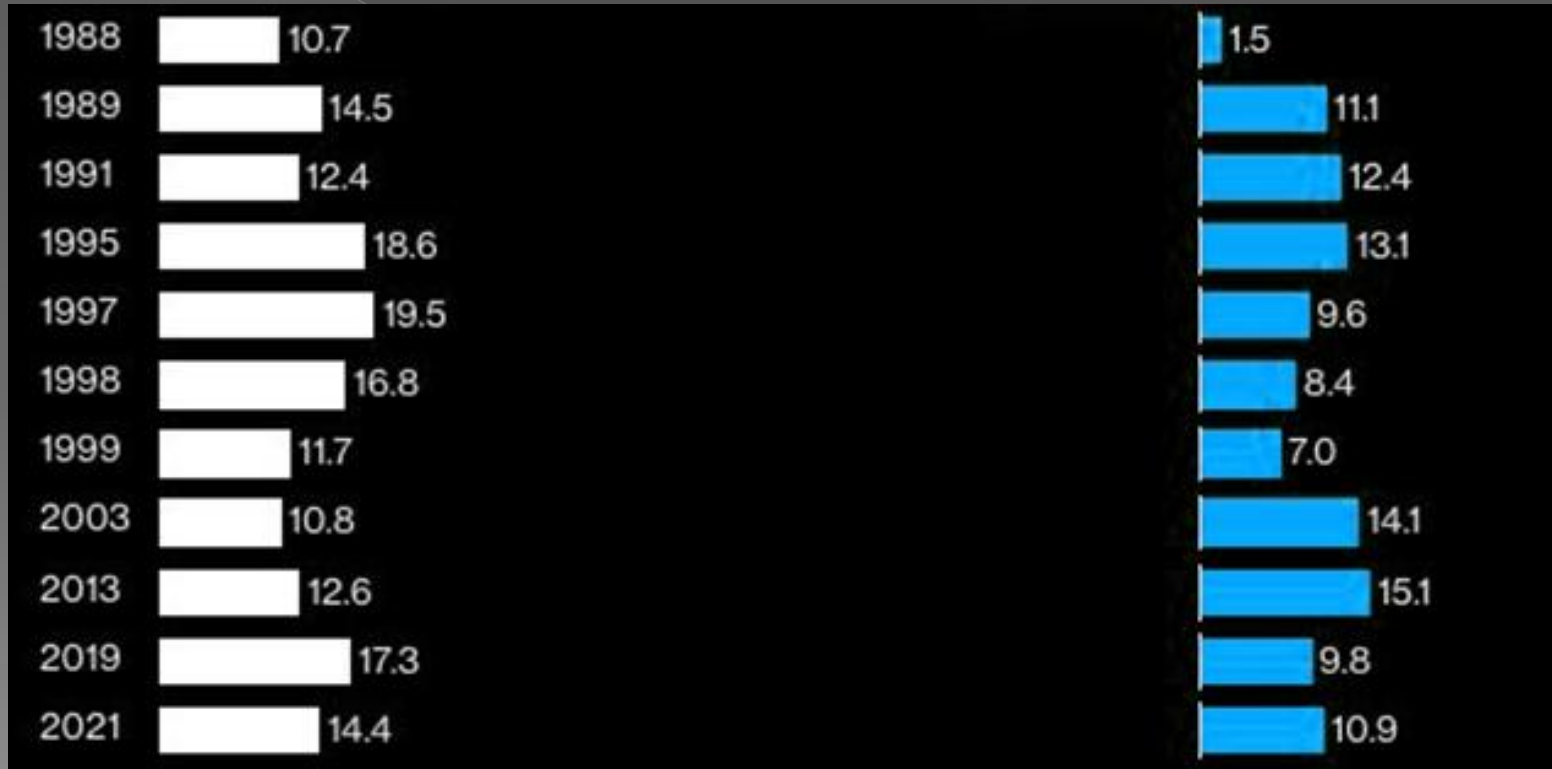
HISTORICALLY A GOOD H1 MEANS A GOOD H2

Since 1945, while the S&P 500 gained an average of 4.2% during all H2s, rising in price during 69% of all years, whenever the market's H1 return exceeded 10%, the S&P 500 posted an average H2 advance of 8.0%, and gained in price 82% of the time.

Since 1990, all sizes, styles, sectors, and 92% of all sub-industries gained in price in H2 following an S&P 500 rise in H1.

- Even with the typically challenging third quarter since 1945, in which the S&P 500 rose in price just 61% of the time versus an average of 67% for all quarters, the market was up 74% of the time in Q3 following positive H1s.
- Better still, the subsequent Q4 recorded price gains 87% of the time versus 79% for all years.
- Many see investors looking beyond the near-term weakness and focusing on projected improvements in GDP growth and earnings increases in 2024.
- As a result, we see share prices closing 2023 at 4,575 and reaching 4,820 by this time next year.

Looks like 1H equity performance is doing a “booty call” to 2nd. The last 11 times equities were up >10% in the 1H, the market continued higher in the 2H. You have to go back to 1987 to find the first reversal.



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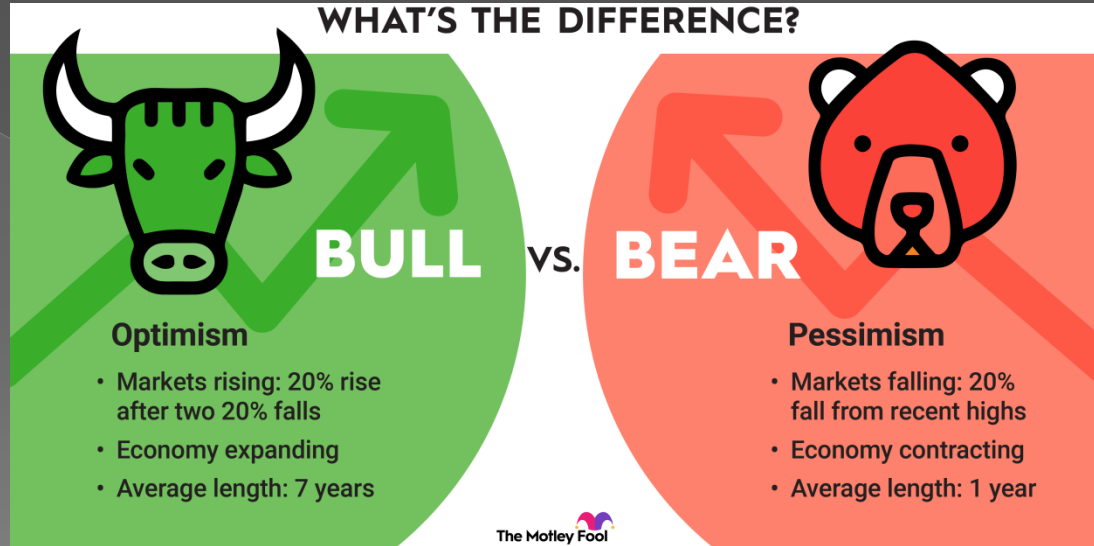
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WHAT'S THE DIFFERENCE?



BULL vs. **BEAR**

Optimism

- Markets rising: 20% rise after two 20% falls
- Economy expanding
- Average length: 7 years

Pessimism

- Markets falling: 20% fall from recent highs
- Economy contracting
- Average length: 1 year

The Motley Fool

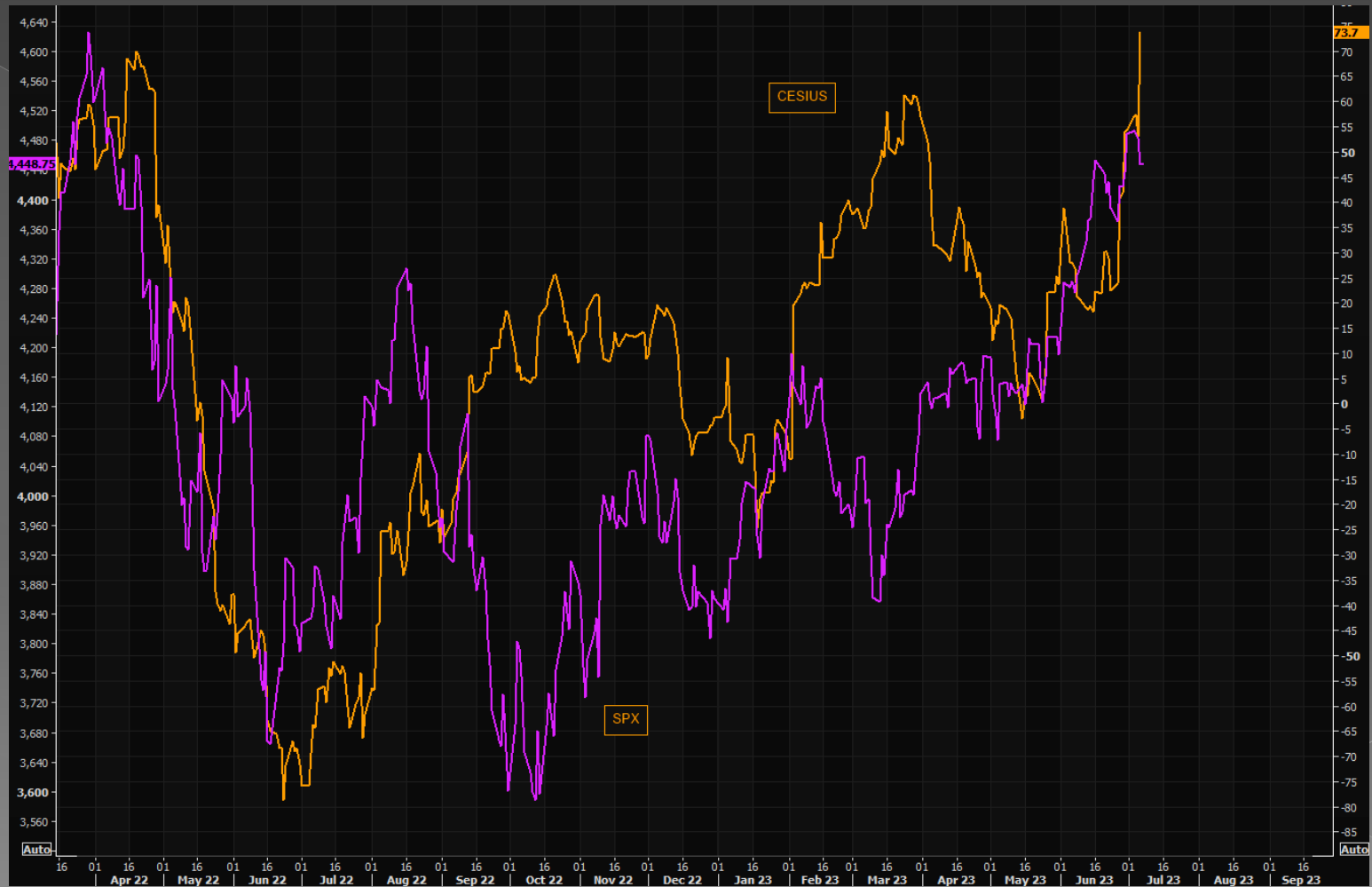
BULLS BELIEVE

Many believe it increasingly looks like earnings have already troughed.

This is something stocks sniffed out back in late 2022 when the S&P bottomed around 3,500.

Equities have typically troughed 6–9 months before earnings reach their low in past bear markets.



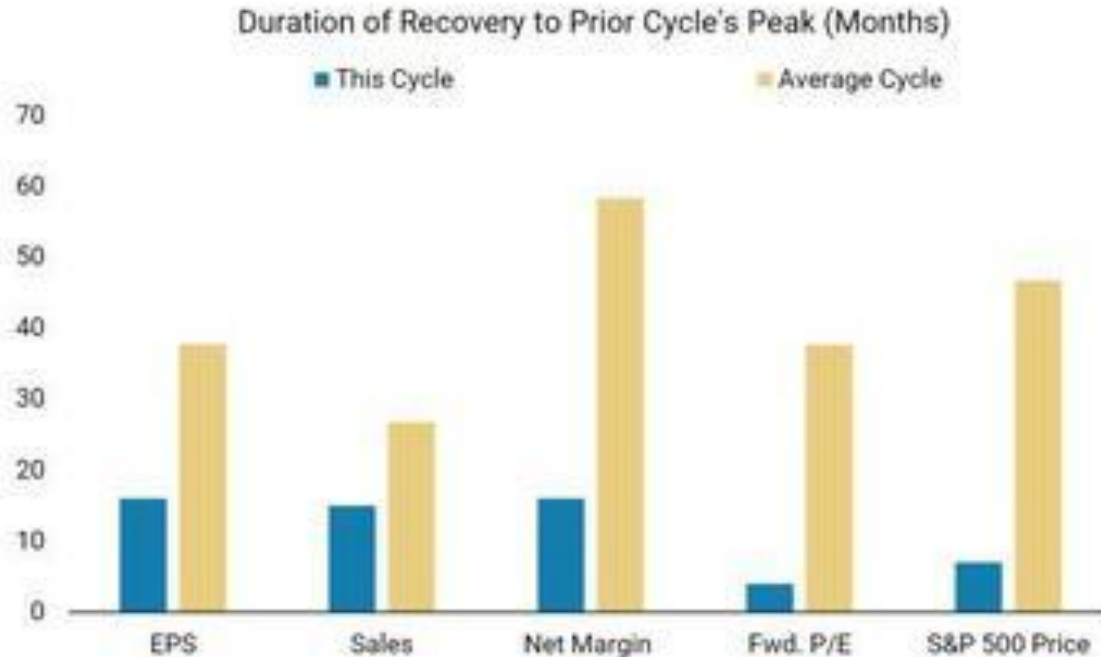


2023 : 37.4514% 1999 : 101.5504%



BULLS BELIEVE – This is a Hotter but Shorter Cycle

We're In a Hotter, but Shorter Cycle...



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☆ 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity (T10Y2Y)

Observation:

2023-07-07: **-0.88**

(+ more)

Updated: Jul 7, 2023

Units:

Percent,

Not Seasonally Adjusted

Frequency:


Daily

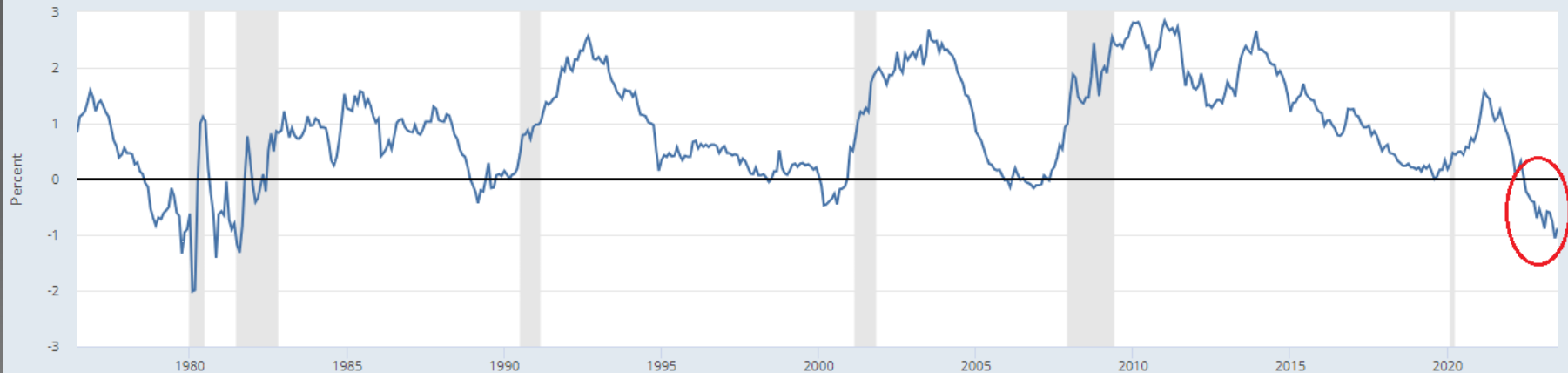
1Y | 5Y | 10Y | Max

1976-06-01

to

2023-07-07

FRED  — 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity



Tighter Lending Standards Tell Us a Credit Contraction Is Likely Coming



Source: Haver Analytics, Morgan Stanley Research.

The collapse in PPI, which while normally welcome as it signals sharp disinflation, can also be seen as a precursor to a collapse in sales growth.

Falling PPI (Finished Goods) is Ominous Signal for Sales Growth



Which also matches up with other ugly boom/bust period in US history.

It Also Syncs with our 1940s/50s Boom/Bust Regime Framework



Source: Bloomberg, Morgan Stanley Research.

Collapsing Import/Export Pricing Data is Sending Same Signal



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Market
Liquidity



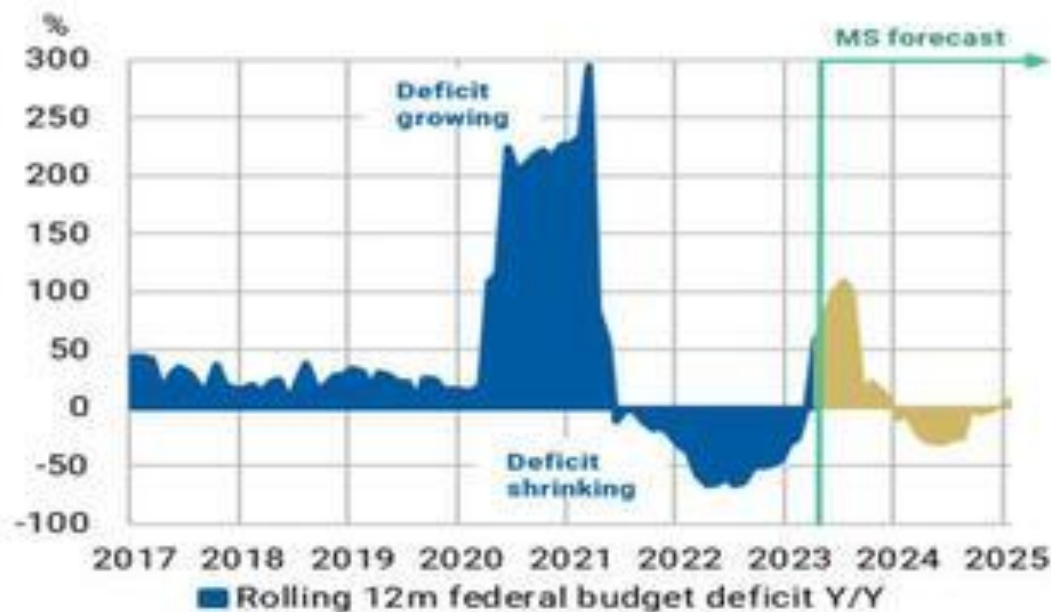
*How quickly an investment can be
sold (without impacting price)*

Financial
Liquidity



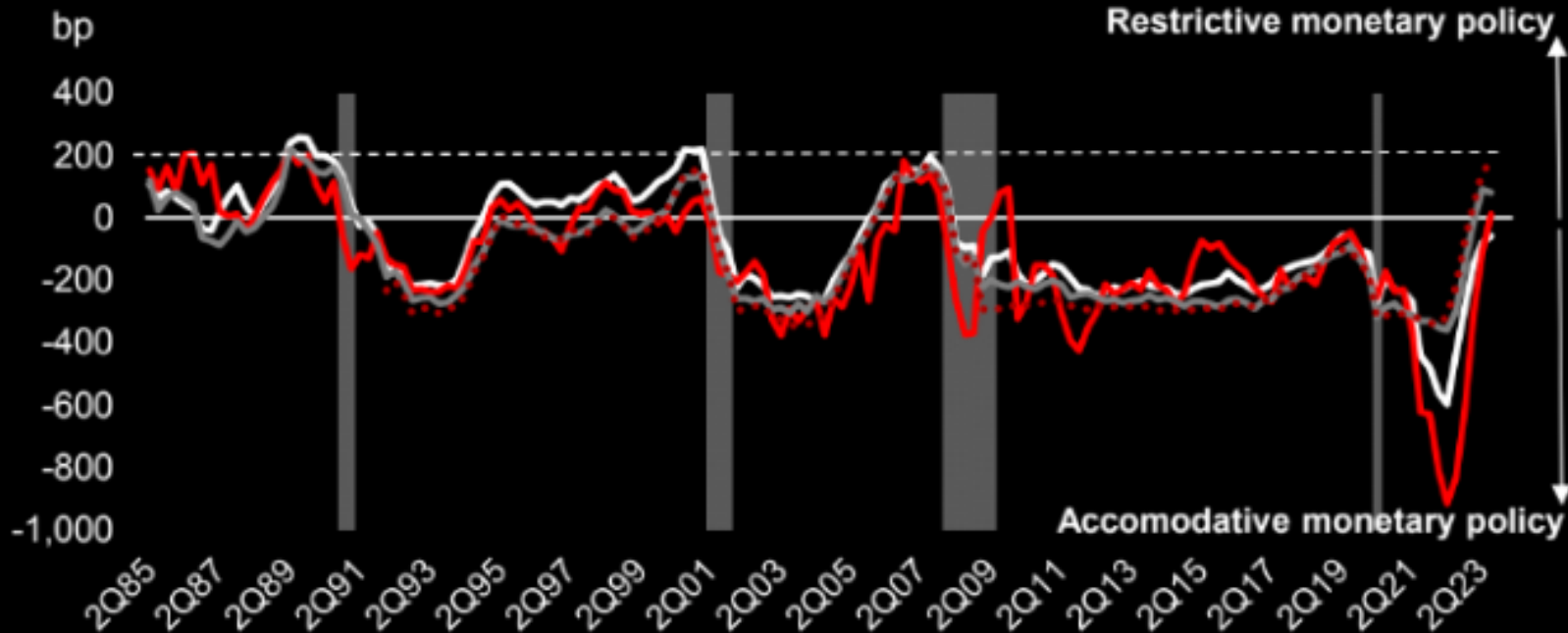
*Ability to meet financial
obligations*

Fiscal Stimulus over past 12 months has been enormous and it's about to end



Gap between real fed funds rate (adjusted by different consumer inflation measures) and the estimated neutral rate

- Core PCE
- Headline CPI
- 1-year ahead expectations
- 10-year ahead expectations



Gap between real fed funds rate (adjusted by different consumer inflation measures) and the estimated neutral rate

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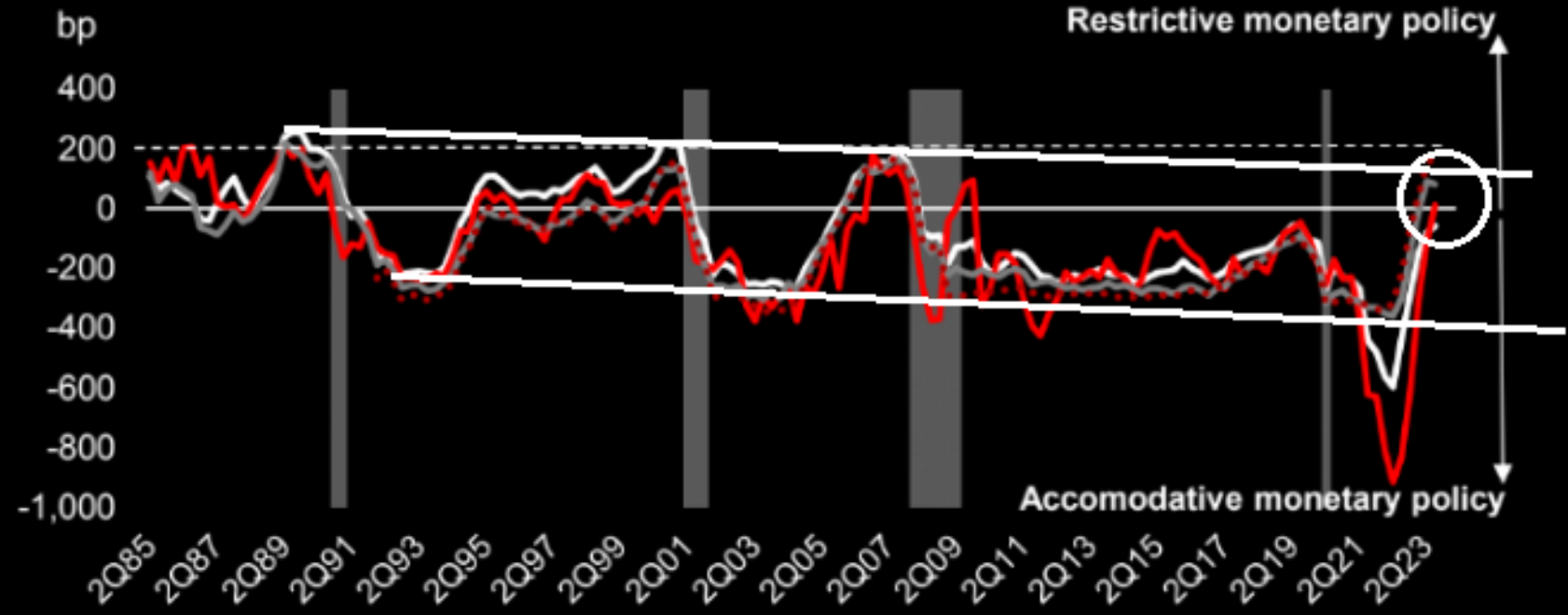


Exhibit 1: Central Banks' Bal. Sheets – Aggregated

Fed + ECB + BoJ + BoE + PBoC + BoK + BoC + BCB + SNB + CBC = Total vs. SPX (rhs)

Aggregated (\$s billions)



Fed + ECB + BoJ + BoE + PBoC + BoK + BoC + BCB + SNB + CBC = Total

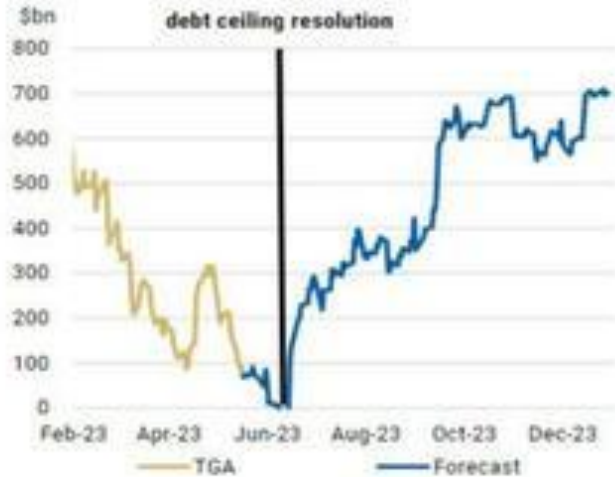
Weekly Change (\$s billions)





Morgan Stanley's house forecast for the future of bank reserves. The bank expects these to decline by \$500BN by year end, as part of QT and the TGA refill.

Bank Reserves are set to Decline by \$500B + with Passage of Debt Ceiling...

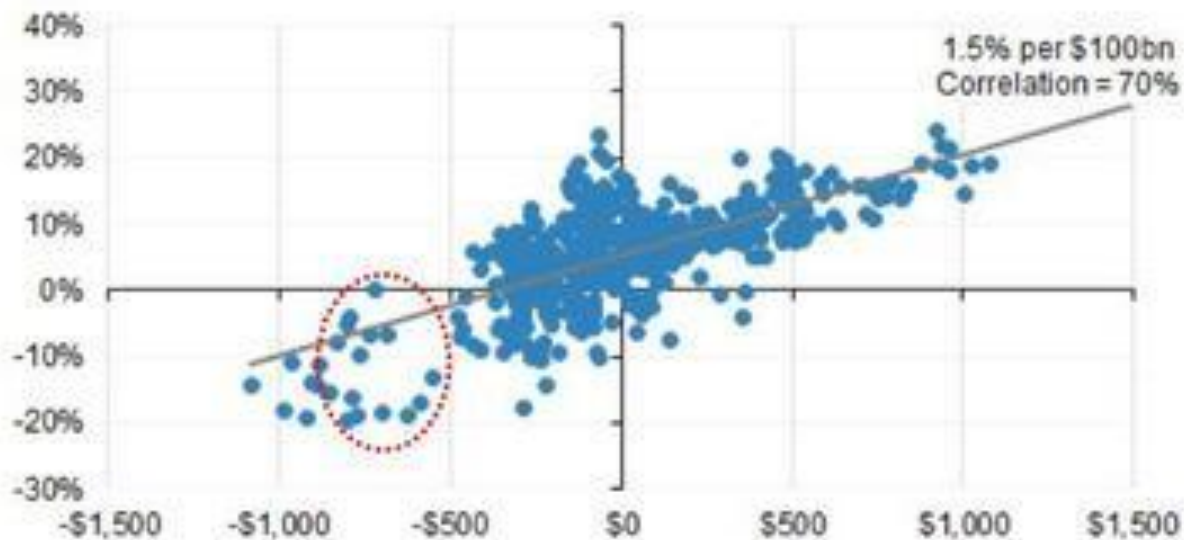


in \$bn

EOm	SOMA*	Reserves	RRP	TGA	Loans
Jan	7,920	3,030	2,038	501	15
Feb	7,846	3,028	2,134	351	16
Mar	7,877	3,381	2,243	141	332
Apr	7,801	3,166	2,258	188	318
May	7,580	3,105	2,300	86	325
Jun	7,492	2,980	2,100	294	300
Jul	7,400	2,991	1,900	337	250
Aug	7,308	2,909	1,750	423	200
Sep	7,218	2,738	1,600	600	150
Oct	7,129	2,635	1,500	660	100
Nov	7,043	2,715	1,300	640	50
Dec	6,960	2,618	1,200	700	0

.....And that Does Not Bode Well for Equity Prices

SPX Return vs Change in Bank Reserves

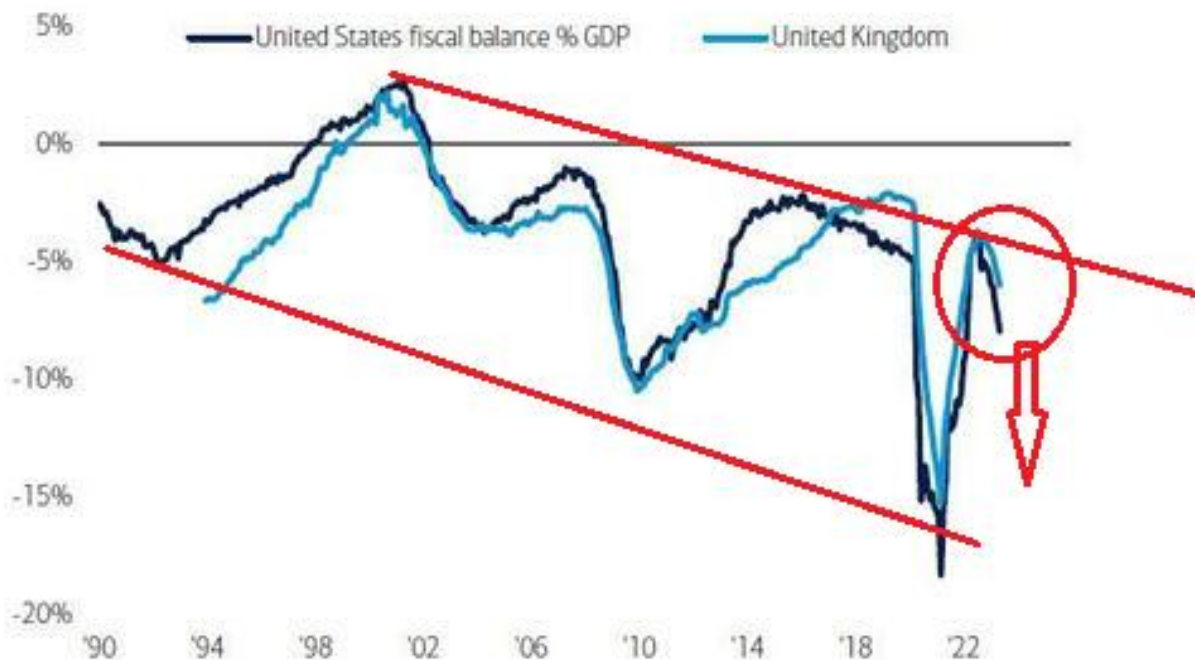


Note: 6m change in SPX and Bank Reserves, since 2012, ex-COVID

Source: Morgan Stanley QDS, Fed H 4.1

Chart 3: Budget deficits high & rising...

US & UK fiscal balance (12m cumulative) % of GDP



Source: BofA Global Investment Strategy, Bloomberg

BofA GLOBAL RESEARCH

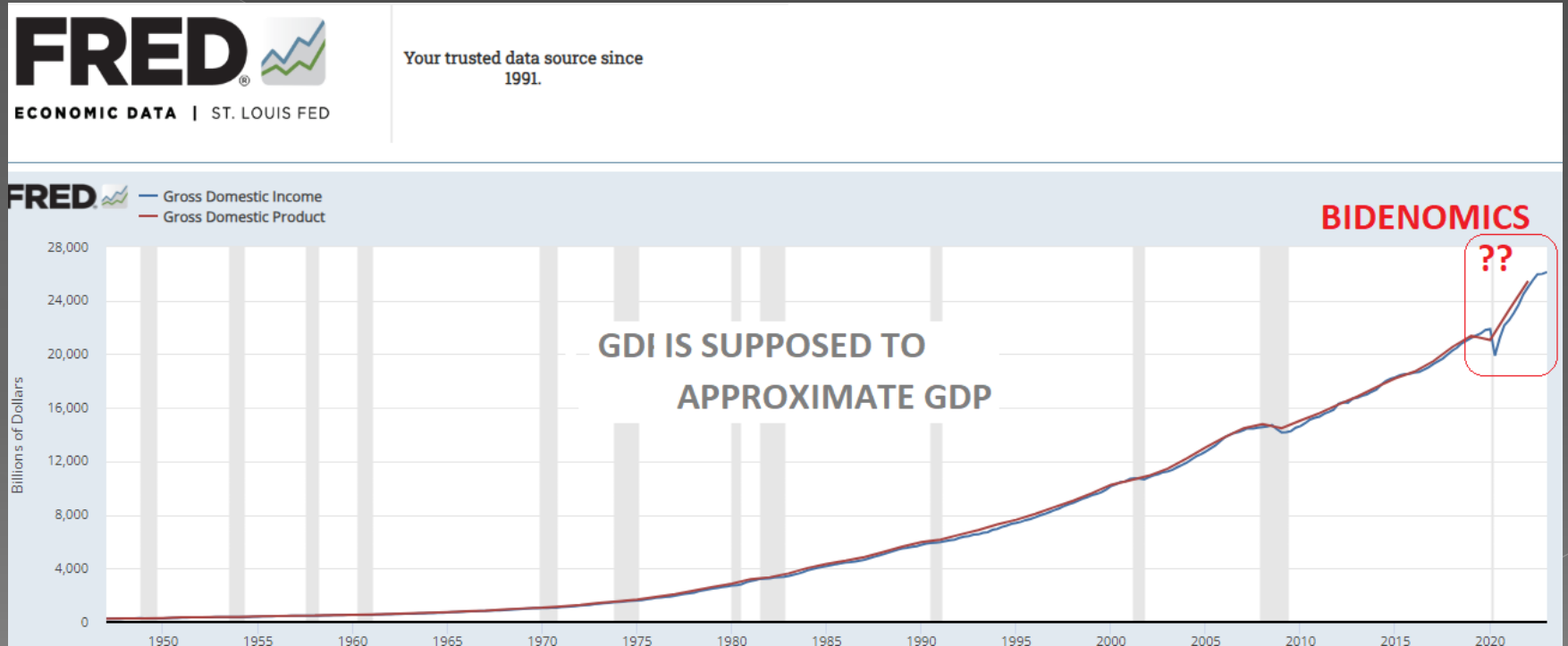
GDP = GDI

Theoretically GDP equals GDI. It never quite equals due the realities of data capture.

GDI = Wages + Profits + Interest Income + Rental Income + Taxes -
Production/Import Subsidies + Statistical Adjustments

GDP = Consumption + Investment + Government

As the long term Federal Reserve chart illustrates there is a very close fit up until the adoption of Bidenomics!



Gross Domestic Income

Gross Domestic Income

Quarterly - Change From Preceding Period

Q1 2023 (3rd)	-1.8 %
Q4 2022 (3rd)	-3.3 %

Annual - Change From Preceding Period

2022	+2.1 %
2021	+5.5 %

* Gross domestic income is not available with the first (advance) estimate of GDP for each quarter.

* For the fourth quarter only, gross domestic income is not available in the first or second estimates.

Real gross domestic income (GDI) is a measure of the incomes earned and the costs incurred in the production of gross domestic product. It's another way of measuring U.S. economic activity. BEA also publishes the average of real GDP and real GDI.

Current Release

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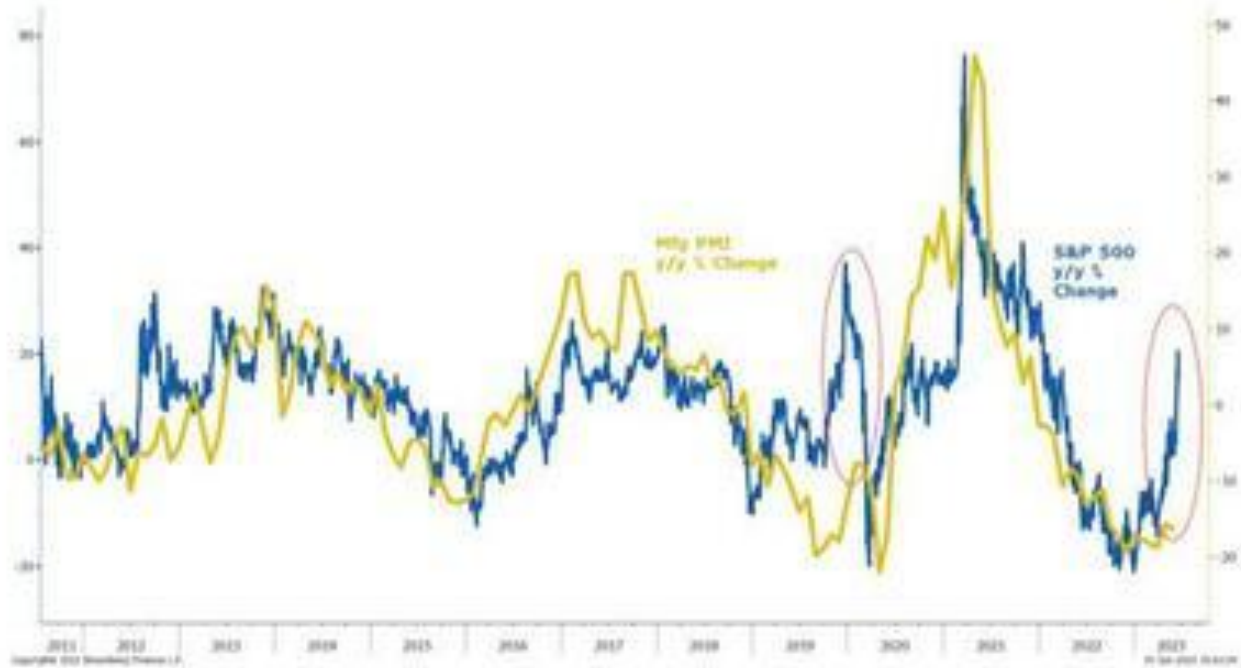
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The S&P appears 20-30% overvalued based on current PMI levels

S&P 500 Appears 20-30% Over-Valued Based on Current Level of Mfg PMIs



Source: Bloomberg, Morgan Stanley Research.

The "fair value" of the S&P is 3,126

Using Market-Based Cost of Capital Implies "Fair Value" for SPX is 3126



Source: Bloomberg, Morgan Stanley Research.

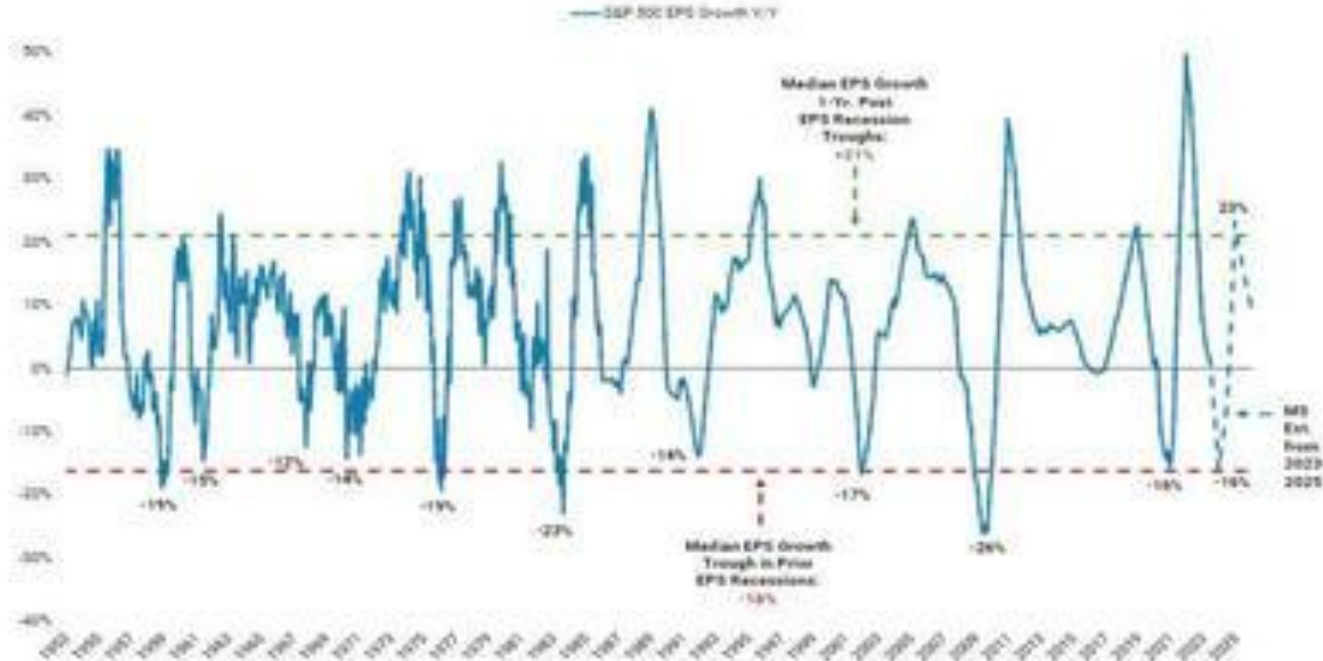
There will be another bout of EPS downside ahead through the end of '23, followed by stability in '24.

...Which We Think Means We're Looking at EPS Downside Ahead Through YE '23, Followed by Stability in '24...



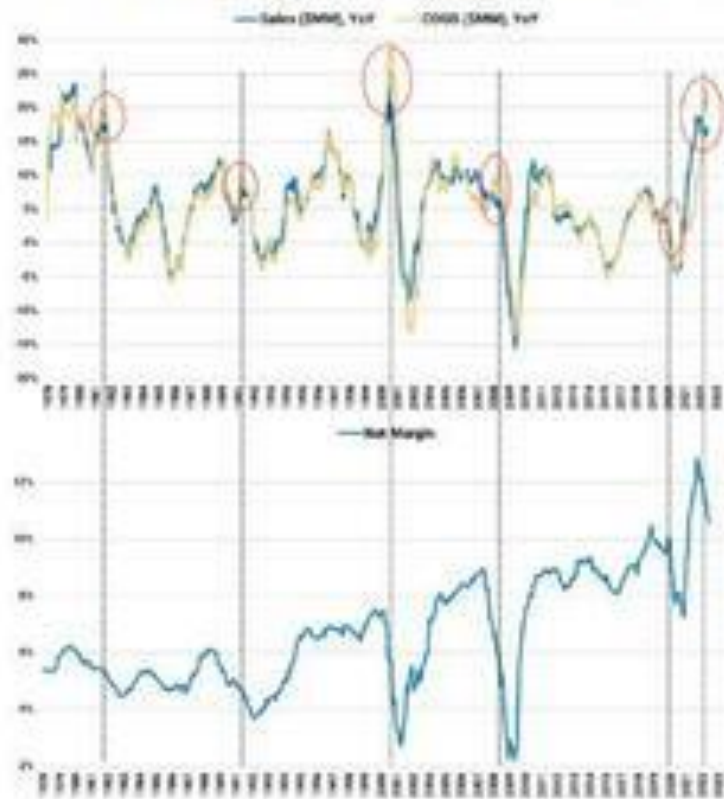
The average earnings recession troughs near -16%

The Average Earnings Recession Troughs near -16%, in line with our Forecast



Source: FactSet, Bloomberg, Morgan Stanley Research.

We Think Margin Compression Is A Key Driver of EPS Growth Deceleration



Source: FactSet, Bloomberg, Morgan Stanley Research.

The Leading Macro Data Points to Downside in EPS Surprise Over the Next Several Months



Source: FactSet, Bloomberg, Morgan Stanley Research.

Forward EPS Growth Is Now Negative for Just the Fifth Time Since 2000; History Shows Price Downside Is in Front of Us, Not Behind Us



Source: FactSet, Bloomberg, Morgan Stanley Research.

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S&P 500

Monthly



MACRO ANALYTICS & TECHNICAL ANALYSIS
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S&P 500 Monthly



ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES ...

DON'T WORRY, THEY WILL PRINT THE MONEY!

EVERYONE IS NOW IN PLACE & READY!!



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*WE READ ALL COMMENTS FOR
FEEDBACK THAT WILL IMPROVE OUR
RESEARCH ANALYSIS*



*WORLD CLASS MINDS FOLLOW THIS
CHANNEL & WE VALUE HEARING
FROM YOU!*

*IT IS THE ONLY PAYMENT WE ACCEPT
FOR POSTING THIS FREE YOUTUBE
CONTENT*